

May 30, 2023

Kevin Ruggeberg, FSA, MAAA  
Vice President & Consulting Actuary  
Lewis & Ellis, Inc.

**Subject: Your 05/23/2022 Questions re:**  
**Blue Cross and Blue Shield of Vermont**  
**2024 Vermont ACA Market - Individual Rate Filing (SERFF Tracking #: BCVT-133654578)**  
**And**  
**2024 Vermont ACA Market – Small Group Rate Filing (SERFF Tracking #: BCVT-133654592)**

Dear Mr. Ruggeberg:

In response to your requests dated May 23, 2022, here are *your questions* and our answers:

1. *Please provide the monthly 2022 and 2023 YTD allowed PMPM for COVID-related claims.*

Please see attached Responses to Blue Cross VT 2024 ACA Rate Filing - Inquiry 2.xlsx, tab Q1, for the monthly PMPM for COVID-related claims. The claims are incurred through March 31, 2023, paid through April 30, 2023, and completed using our monthly completion factors. Please note that Blue Cross VT's completion factors are not set at the service level but instead at the line of business level. This creates additional variability at the service level when using fewer than two months of runout.

2. *We note the percentage of claims recovered as part of BCBSVT's fraud, waste, and abuse program has increased steadily over the last several years before leveling off in 2022. Does the Company anticipate any additional measures will be put into place in 2023 or 2024?*

Blue Cross VT continues to implement programs and invest in technology to reduce the cost of claims through ensuring payment integrity. However, we do not project specific future recoveries for any particular program in these filings. We instead assume that recoveries will grow with medical trend, which in this filing results in an implicit growth assumption of 18.1 percent in the absolute value of recoveries. We assume this growth will be achieved through a combination of new or existing programs. Providers learn and adjust to new programs and payment policies, making the percentage of claims recovered stable while the sentinel effect of these programs has a continued impact on the overall cost of care.

- 3. Regarding the generic cost trend, BCBSVT stated in their 2023 filing, "The rolling annual trends have been between 2.1 and 3.0 percent for the last thirteen 12-month periods." This year's filing states, "The rolling annual trends have been between 3.6 and 4.0 percent for the last eleven 12-month periods." Please reconcile these statements.*

Please see attached Responses to Blue Cross VT 2024 ACA Rate Filing - Inquiry 2.xlsx, tab Q3, for the comparison of the generic cost trend data from the prior filings and the current filings. While slightly different due to the use of a different matched population for each filing, the data shows that the generic cost trends have been increasing over the last twelve months.

- 4. Please confirm the calculation of the credit card fees as a percent of premium are only calculated on the member portion of the premium.*

In accordance with federal law, credit and debit card fees are only applied to the portion of the premium that is the responsibility of the member, and excludes any amount covered with advanced premium tax credit.

- 5. Please clarify whether the amount paid for pharmaceuticals processed through the medical benefit are affected by hospital budget increases.*

Yes, for hospitals subject to GMCB review, the amounts paid for pharmaceuticals processed through the medical benefit are affected by hospital budget changes. We set the medical unit cost increases for these pharmaceuticals equal to the composite outpatient unit cost trend since we typically pay for these drugs based on the charges set by an outpatient fee schedule.

- 6. Explain how the recently announced agreement with BCBS of Michigan is expected to impact the RBC position of BCBSVT. Will the agreement include any sort of capital guarantee from the affiliate?*

The recently announced agreement between Blue Cross VT and BCBS of Michigan (BCBSM) does not include any sort of capital guarantee, nor is BCBSM providing any capital to Blue Cross VT. There is no financial exchange between the two organizations. The premiums from Vermonters will wholly be used to pay Vermont member claims, fund Vermont member reserves and plan administration—exactly as is the case today. Each entity will continue as a single state plan, financially separate from the other.

Moreover, the agreement must now go through separate federal and state regulatory approval processes before the two companies can begin implementation. As a result, it is premature to project impacts on the rates currently under review. We anticipate gradual impacts to our RBC position as we implement and realize benefits from the affiliation. Blue Cross's RBC will remain under pressure in the near-term due to local market and regulatory dynamics.

As of December 31, 2022, Blue Cross VT's RBC was well below the targeted range, at 434 percent. As noted in Attachment C, uncertainties with regard to future growth of insured membership, continued economic and market volatility, uncertainties surrounding hospital budgets, as well as a very challenging competitive environment make it difficult to predict where Blue Cross VT will be relative to the range by the end of 2024. Even with all the uncertainties, it appears to be unlikely that Blue Cross VT's RBC position will even reach the required range at the end of 2024.

7. *Explain how the recently announced agreement with BCBS of Michigan is expected to impact the projected 2024 administrative costs.*

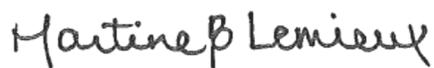
As explained above, we cannot begin to implement the affiliation until federal and state regulators complete their reviews and approve the agreement.

The majority of the value provided to Blue Cross VT through the affiliation will result from enhanced and more cost-effective access to technology in the future. BCBSM is already partnering successfully with other Blue Cross and Blue Shield licensed companies on a number of initiatives spanning technology, health plan offerings and innovation. There will be a period of time needed to transition to the new technology environment. Once technology and systems are transitioned, the affiliation will enable Blue Cross VT to forego substantial expenditures on building or buying technological upgrades that we would otherwise have to fund through premiums.

Therefore, the projected impact of the affiliation is to avoid cost growth beyond what is included in this and future filings.

Please let us know if you have any further questions, or if we can provide additional clarity on any of the items above.

Sincerely,



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Martine B. Lemieux, F.S.A., M.A.A.A.  
Actuarial Director, Financial Integrity

**BLUE CROSS AND BLUE SHIELD OF VERMONT  
2024 VERMONT ACA MARKET RATE FILINGS - INDIVIDUAL**

**RESPONSES TO ACTUARIAL INQUIRY 2, DATED MAY 23, 2023  
QUESTION 1**

<b>Individual Market</b>					
<b>Month</b>	<b>Members</b>	<b>Medical COVID Allowed</b>	<b>Medical COVID PMPM</b>	<b>Pharmacy COVID Allowed</b>	<b>Pharmacy COVID PMPM</b>
202201	16,373	\$290,462	\$17.74	\$20,995	\$1.28
202202	16,477	\$172,318	\$10.46	\$10,230	\$0.62
202203	16,437	\$110,246	\$6.71	\$8,455	\$0.51
202204	16,376	\$151,125	\$9.23	\$34,529	\$2.11
202205	16,314	\$135,237	\$8.29	\$31,114	\$1.91
202206	16,280	\$100,768	\$6.19	\$19,137	\$1.18
202207	16,361	\$79,347	\$4.85	\$23,543	\$1.44
202208	16,294	\$79,196	\$4.86	\$18,690	\$1.15
202209	16,173	\$88,418	\$5.47	\$45,547	\$2.82
202210	16,014	\$97,802	\$6.11	\$60,542	\$3.78
202211	15,913	\$81,519	\$5.12	\$44,965	\$2.83
202212	15,840	\$110,071	\$6.95	\$40,446	\$2.55
202301	17,758	\$77,347	\$4.36	\$29,044	\$1.64
202302	18,502	\$67,063	\$3.62	\$22,048	\$1.19
202303	18,545	\$71,985	\$3.88	\$18,136	\$0.98

<b>Small Group Market</b>					
<b>Month</b>	<b>Members</b>	<b>Medical COVID Allowed</b>	<b>Medical COVID PMPM</b>	<b>Pharmacy COVID Allowed</b>	<b>Pharmacy COVID PMPM</b>
202201	19,534	\$674,569	\$34.53	\$31,319	\$1.60
202202	19,552	\$238,236	\$12.18	\$12,394	\$0.63
202203	19,536	\$112,663	\$5.77	\$7,095	\$0.36
202204	19,563	\$164,146	\$8.39	\$24,270	\$1.24
202205	19,532	\$230,779	\$11.82	\$24,086	\$1.23
202206	19,577	\$147,719	\$7.55	\$16,377	\$0.84
202207	19,621	\$102,607	\$5.23	\$18,867	\$0.96
202208	19,648	\$113,216	\$5.76	\$22,018	\$1.12
202209	19,659	\$119,525	\$6.08	\$48,161	\$2.45
202210	19,745	\$110,219	\$5.58	\$54,579	\$2.76
202211	19,754	\$111,486	\$5.64	\$44,392	\$2.25
202212	19,669	\$126,411	\$6.43	\$40,899	\$2.08
202301	21,952	\$225,028	\$10.25	\$30,169	\$1.37
202302	21,924	\$77,423	\$3.53	\$21,152	\$0.96
202303	21,884	\$61,857	\$2.83	\$20,385	\$0.93

**BLUE CROSS AND BLUE SHIELD OF VERMONT  
2024 VERMONT ACA MARKET RATE FILINGS - INDIVIDUAL**

**RESPONSES TO ACTUARIAL INQUIRY 2, DATED MAY 23, 2023  
QUESTION 3**

Year Ended	PRIOR YEAR				CURRENT YEAR			
	Supply	AWP	Cost per Supply	Cost Trend	Supply	AWP	Cost per Supply	Cost Trend
201812	9,245,796	35,639,707	3.85					
201901	9,252,094	35,601,861	3.85					
201902	9,244,566	35,573,992	3.85					
201903	9,247,374	35,640,515	3.85					
201904	9,257,292	35,694,789	3.86					
201905	9,241,536	35,747,632	3.87					
201906	9,244,069	35,753,791	3.87					
201907	9,268,226	35,970,746	3.88					
201908	9,260,563	36,006,865	3.89					
201909	9,295,006	36,180,965	3.89					
201910	9,294,764	36,281,204	3.90					
201911	9,275,279	36,363,356	3.92					
201912	9,399,066	36,951,687	3.93	2.0%	8,718,057	33,554,620	3.85	
202001	9,448,900	37,208,119	3.94	2.3%	8,774,281	33,863,398	3.86	
202002	9,499,311	37,530,637	3.95	2.7%	8,827,903	34,181,388	3.87	
202003	9,668,454	38,262,306	3.96	2.7%	8,998,808	34,887,926	3.88	
202004	9,648,177	38,230,027	3.96	2.8%	8,971,588	34,832,565	3.88	
202005	9,603,189	38,123,184	3.97	2.6%	8,948,915	34,813,844	3.89	
202006	9,680,103	38,487,711	3.98	2.8%	9,029,014	35,161,214	3.89	
202007	9,704,783	38,710,610	3.99	2.8%	9,054,839	35,407,922	3.91	
202008	9,698,761	38,744,793	3.99	2.7%	9,059,666	35,503,698	3.92	
202009	9,768,775	39,067,346	4.00	2.7%	9,138,690	35,842,071	3.92	
202010	9,763,885	39,090,777	4.00	2.6%	9,136,855	35,865,642	3.93	
202011	9,798,852	39,289,978	4.01	2.3%	9,179,348	36,084,639	3.93	
202012	9,838,106	39,536,750	4.02	2.2%	9,233,083	36,369,500	3.94	2.3%
202101	9,809,336	39,542,051	4.03	2.4%	9,214,033	36,403,845	3.95	2.4%
202102	9,806,244	39,550,699	4.03	2.1%	9,218,081	36,450,558	3.95	2.1%
202103	9,766,072	39,521,088	4.05	2.3%	9,176,677	36,396,129	3.97	2.3%
202104	9,839,971	39,973,863	4.06	2.5%	9,253,077	36,845,058	3.98	2.6%
202105	9,910,484	40,388,352	4.08	2.7%	9,328,995	37,276,063	4.00	2.7%
202106	9,968,515	40,758,413	4.09	2.8%	9,381,165	37,622,205	4.01	3.0%
202107	9,931,219	40,588,108	4.09	2.5%	9,358,962	37,540,812	4.01	2.6%
202108	9,966,582	40,887,542	4.10	2.7%	9,396,369	37,824,352	4.03	2.7%
202109	9,982,753	41,030,522	4.11	2.8%	9,411,915	37,985,829	4.04	2.9%
202110	10,011,148	41,216,071	4.12	2.8%	9,445,076	38,204,595	4.04	3.0%
202111	10,057,389	41,555,718	4.13	3.0%	9,492,297	38,546,748	4.06	3.3%
202112	10,064,256	41,662,027	4.14	3.0%	9,496,452	38,644,352	4.07	3.3%
202201					9,518,591	38,854,211	4.08	3.3%
202202					9,524,549	39,045,953	4.10	3.7%
202203					9,511,265	39,130,252	4.11	3.7%
202204					9,507,215	39,254,700	4.13	3.7%
202205					9,542,753	39,494,033	4.14	3.6%
202206					9,529,486	39,582,333	4.15	3.6%
202207					9,562,485	39,894,164	4.17	4.0%
202208					9,628,818	40,247,632	4.18	3.8%
202209					9,638,369	40,381,883	4.19	3.8%
202210					9,653,818	40,626,873	4.21	4.0%
202211					9,658,524	40,712,001	4.22	3.8%
202212					9,674,553	40,905,406	4.23	3.9%